

Message Text

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ACTION EB-07

INFO OCT-01 AF-06 ARA-06 EA-07 ISO-00 INT-05 GSA-01 SP-02

AID-05 NSC-05 CIEP-01 TRSE-00 SS-15 STR-04 OMB-01

CEA-01 CIAE-00 COME-00 FRB-03 INR-07 NSAE-00 USIA-06

XMB-02 OPIC-03 LAB-04 SIL-01 L-03 H-02 PA-01 PRS-01

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P R 071926Z OCT 75

FM AMEMBASSY SANTO DOMINGO

TO SECSTATE WASHDC PRIORITY 4974

INFO AMEMBASSY CANBERRA

AMEMBASSY CONAKRY

AMEMBASSY GEORGETOWN

AMEMBASSY KINGSTON

AMEMBASSY PORT AU PRINCE

AMCONSUL PARAMARIBO

C O N F I D E N T I A L SANTO DOMINGO 4465

E.O. 11652: GDS

TAGS: EMIN, EFIN, IND, DR

SUBJ: BAUXITE: ALCOA STILL NEGOTIATING ON CONVERSION FORMULA

REF: SD 3976

1. TERMS FOR CONTINUING ALCOA'S BAUXITE CONCESSION THROUGH 1976 SEEM TO HAVE BEEN ABOUT SETTLED EXCEPT FOR ONE FIGURE IN THE CONVERSION FORMULA WHICH WOULD MAKE A DIFFERENCE OF LESS THAN DOLS 400,000 IN ANNUAL INCOME FOR THE GODR IN 1975, BUT WHICH COULD BE MORE SIGNIFICANT IN THE FUTURE IF THE PRICE OF ALUMINUM GOES UP. LOCAL ALCOA MANAGER PATRICK HUGHSON HAS CONFIRMED EARLIER ACCOUNTS FROM SECRETARY OF FINANCE FERNANDO ALVAREZ BOGAERT AND CEDOPEX DIRECTOR FERNANDO PERICHE VIDAL TO THE EFFECT THAT ALCOA IS HOLDING OUT FOR THE 5.0 FIGURE FOR CONVERTING BAUXITE INTO ALUMINUM AND THE GODR WANTS A 4.8 FIGURE.
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2. USING ALCOA'S CONVERSION FORMULA OF 5.0, AND THE JAMAICAN LEVY OF 8.0 PERCENT (ALCOA CLAIMS THE TWO ARE THE BASIS OF THE HAITIAN SETTLEMENT), THE TOTAL AMOUNT OF INCOME, INCLUDING ALL TAXES, ROYALTIES, SUPPLEMENTAL ROYALTIES, AND LEVIES, WHICH THE GODR WOULD REALIZE IN 1975 WITH ALUMINUM AT AN AVERAGE SALE PRICE OF 38.5 CENTS PER POUND IS DOLS 9,504,660. USING THE GODR'S 4.8 CONVERSION FORMULA, THE FIGURE BECOMES DOLS 9,881,040. BOTH ASSUME ANNUAL BAUXITE PRODUCTION AT 738,000 BONE-DRY LONG TONS. ASSUMING THE SAME PRODUCTION FOR 1976, BUT WITH ALUMINUM AT 41.5 CENTS PER POUND, ALCOA'S CONVERSION FORMULA OF 5.0 GIVES THE GODR AN ANNUAL REVENUE OF DOLS 10,213,140.

3. IN THE LAST FOUR YEARS ALCOA'S TOTAL PAYMENTS TO THE GODR HAVE BEEN AS FOLLOWS:

1971	DOLS 4,045,037
1972	DOLS 3,988,980
1973	DOLS 4,442,823
1974	DOLS 7,565,914

4. THE EMBASSY UNDERSTANDS THAT THE NEGOTIATORS HAVE NOT YET FOCUSED ON THE RATE OF INTEREST WHICH WILL BE APPLIED TO THE PAYMENTS MADE RETROACTIVE TO APRIL 1974. USING THE 4.8 CONVERSION FACTOR OF THE GODR, THE 7.5 PERCENT JAMAICAN LEVY OF LAST YEAR, AND THE 1974 PRICE OF ALUMINUM OF 31.25 CENTS PER POUND, THE AMOUNT OF EXTRA PAYMENTS WHICH ALCOA WOULD HAVE TO MAKE TO THE GODR FOR THE PERIOD APRIL 1, 1974 THROUGH DECEMBER 31, 1974 WOULD BE DOLS 2,694,354.

5. THE DOMINICANS AT FIRST QUESTIONED, BUT FINALLY ACCEPTED, ALCOA'S PRACTICE OF USING LONG TONS IN THE BAUXITE PART OF THE FORMULA AND SHORT TONS IN CALCULATING THE SALE PRICE OF ALUMINUM.

6. NEGOTIATIONS WERE TEMPORARILY SUSPENDED WHILE PERICHE, A MEMBER OF THE NEGOTIATING COMMISSION, WENT TO LIMA FOR THE LATIN AMERUZAN SUGAR PRODUCERS' MEETING, BUT THEY ARE EXPECTED TO RESUME WHEN THE FINANCE SECRETARY RETURNS FROM VACATION. HUGHSON REMARKED PRIVATELY THAT THE NEGOTIATIONS ARE QUOTE CONFIDENTIAL

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QUITE A HASSLE FOR AN AGREEMENT GOING ONLY THROUGH 1976 BUT THAT ALCOA IS NOT RPT NOT PREPARED TO PUT ANYMORE MONEY ON THE TABLE UNQUOTE.
HURWITCH

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